

8 OCT 1950

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GENERAL

1. US stresses need for prompt UN action on Korea--The Department of State, as a result of reports that the Netherlands Delegation to the UN would sponsor the idea of suspending hostilities in Korea for two weeks in order to explore all avenues of a peaceful settlement, has instructed Ambassador Van Roijen at The Hague to urge the Netherlands Government "in the strongest terms" not to take such action. In stressing the need for prompt and firm action on Korea by the UN, the Department points out that North Korean forces are withdrawing as rapidly as possible with the obvious intent of regrouping and reforming behind the 38th Parallel. The Department adds that the North Koreans have shown no indication they intend to comply with General MacArthur's call to cease hostilities. As further evidence that the North Koreans plan to continue fighting as long as possible, the Department points out that considerable amounts of military supplies are continuing to flow into North Korea from the northern borders.

EUROPE

2. AUSTRIA: Inflation dangers--US Charge Dowling in Vienna expresses fear that inflation and related labor unrest will develop regardless of the wage-price agreement recently achieved. Dowling says that price increases in addition to those provided for in the agreement seem inevitable, and there will be constant danger that the Trade Union Federation may be forced to make new wage demands, which would add to present inflationary pressures.

DIA review(s) completed.
STATE review(s) completed.

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(CIA Comment: CIA agrees with the above estimate. If the standard of living is again reduced, the trade union leaders will be forced to make new wage demands more quickly than they have in the past.)

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3. SWEDEN: Air force operations may be curtailed--The US Military Attache in Stockholm expresses the opinion that US failure to permit export of aviation gas to be used by the Swedish Air Force can practically ground that service and will, at least, seriously curtail its operations.

(CIA Comment: Of the air forces of Western Europe, the Swedish Air Force is second in size only to that of the UK. Sweden is steadily modernizing its air arm, which consists largely of fighter planes, both jet and conventional.)

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4. UNITED KINGDOM: Plans for increased stockpiling--Representatives of the British Board of Trade have advised US Embassy London that the UK Government has recently decided to stockpile a variety of strategic materials in substantial quantities. The program is designed primarily to stockpile those strategic materials which may be difficult to obtain in wartime because of shipping difficulties or loss of the source. The Embassy reports that the UK is anxious to coordinate with the US the purchase of items to be stockpiled.

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